

789 Holdings Limited

ABN 13 628 136 658

Annual Report - 30 June 2019

789 Holdings Limited
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30 June 2019

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789 Holdings Limited
Corporate directory
30 June 2019

Directors	Mr Kai Zhu Mr John Huntley Knox Mr John Nakhoul
Company secretary	Ms Weifan Rao
Notice of annual general meeting	The details of the annual general meeting of 789 Holdings Limited are: Suite 405 161 Redfern Street Redfern NSW 2016 3pm on 26 November 2019
Registered office	Suite 405 161 Redfern Street Redfern NSW 2016 Phone: (02) 9698 8818
Principal place of business	Suite 405 161 Redfern Street Redfern NSW 2016 Phone: (02) 9698 8818
Share register	Registry Direct Limited Level 6 2 Russell Street Melbourne VIC 3000 Phone: 1300 556 635
Auditor	UHY Haines Norton Sydney Level 11 1 York Street Sydney NSW 2000 Phone: (02) 9256 6600
Solicitors	Atkinson Corporate Lawyers Level 8 99 St. Georges Terrace Perth WA 6000 Phone: (08) 6263 1161
Stock exchange listing	789 Holdings Limited shares are listed on the National Stock Exchange of Australia (NSX code: 789)
Website	www.home789.com.au

789 Holdings Limited
Directors' report
30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of 789 Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

The following persons were directors of 789 Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Kai Zhu
Mr John Huntley Knox
Mr John Nakhoul

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Sale of residential and commercial properties in Australia
- Property Management

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$94,438 (30 June 2018: \$92,892 loss).

Refer to the 'Operating and Financial Review' for further information.

Significant changes in the state of affairs

On 4 Mar 2019, 789 Holdings Limited, acquired 100% of the ordinary shares of HOME789 Resources Pty Ltd (HOME789) and Great Fortune Investment Pty Ltd (GFI). HOME789 carries out a property sales business in New South Wales and GFI is specialised in property management business in New South Wales.

GFI acquired rental roll in North Sydney with portfolio of 62 properties in June 2019 with a further 2 acquired in July 2019. This acquisition increased company's rental property portfolio to over 500.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

No circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The company is seeking quality rental roll in New South Wales and expand property management team with experienced local experts.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

789 Holdings Limited
Directors' report
30 June 2019

Information on directors

Name: Mr Kai Zhu
Title: Executive Chairman
Qualifications: MB, MIPH
Experience and expertise: Mr Zhu previously worked as a medical doctor before he set up GFI and entered into real estate business. Mr Zhu has been managing GFI since 2007 and HOME789 since 2012. Mr Zhu is the founder of GFI and HOME789.
Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 30,000,000 ordinary shares (see initial Director's notice released on NSX on 28 February 2019)
Interests in options: None
Contractual rights to shares: None

Name: Mr John Huntley Knox
Title: Non-executive Director
Qualifications: Fellow of the Institute of Chartered Accountants
Experience and expertise: Mr Knox previously worked with R A Forge & Co for 15 years and he is specialised in management services, insolvency and tax consultancy.
Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: None
Interests in options: None
Contractual rights to shares: None

Name: Mr John Nakhoul
Title: Non-executive Director
Qualifications: B.Ec, Fellow CPA, Justice of Peace
Experience and expertise: Mr Nakhoul has approximately 30 years' experience at a senior corporate level in finance, business development and management and accounting.
Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: None
Interests in options: None
Contractual rights to shares: None

Company secretary

Ms Weifan (Faye) Rao has a Master of Finance and Bachelor of Commence in Accounting and Accounting Technologies. She has two years' experience working as an accountant and decided to pursue a career in Corporate Finance with Minerva. Faye's primary role includes, company secretariat duties, client relations and financial and transaction analysis for Minerva and its clients. Faye is fluent in English, Cantonese and Mandarin.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Attended	Full board Held
Mr Kai Zhu	6	6
Mr John Huntley Knox	5	6
Mr John Nakhoul	6	6

789 Holdings Limited
Directors' report
30 June 2019

Remuneration report (audited)

Details of consolidated entity's remuneration policies and practices, together with details of Directors' and Executives' remuneration, as follows:

Executive Director

Kai Zhu: \$300,000 per annum plus performance bonus

Non-executive Director

John Huntley Knox: \$20,000 per annum

John Nakhoul: \$20,000 per annum

The remuneration report is set out under the following main headings:

- Overview of remuneration structure
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Overview of remuneration structure

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Remuneration Committee has structured an executive remuneration framework that it believes is market competitive and complementary to the reward strategy of the consolidated entity.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. Non-executive directors do not receive share options or other incentives.

Executive remuneration

The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable. Remunerations for executive directors are determined by the Board upon review and recommendation from the Remuneration Committee. The Remuneration Committee may also appoint an independent adviser to assist them in analysing and determining adequate pay-structure for an executive and recommending the same to the Board for final consideration and approval.

The executive remuneration and reward framework has two components:

- base pay and non-monetary benefits
- other remuneration such as superannuation and long service leave

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Voting and comments made at the company's 2018 Annual General Meeting ('AGM')

AGM was not required in 2018.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of 789 Holdings Limited:

- Kai Zhu - Executive Chairman
- John Huntley Knox - Non-Executive Director
- John Nakhoul - Non-Executive Director

	Short-term benefits			Post-employment benefits	Long-term benefits	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	
2019	\$	\$	\$	\$	\$	\$
<i>Executive Directors:</i>						
Kai Zhu (Chairman)	84,231	-	-	8,002	-	92,233
<i>Non-executive Directors:</i>						
John Huntley Knox	15,000	-	-	-	-	15,000
John Nakhoul	15,000	-	-	-	-	15,000
	<u>114,231</u>	<u>-</u>	<u>-</u>	<u>8,002</u>	<u>-</u>	<u>122,233</u>

789 Holdings Limited
Directors' report
30 June 2019

There was no remuneration paid out to any key personnel from the consolidation group.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2019	2018	2019	2018	2019	2018
<i>Executive Directors:</i>						
Kai Zhu	100%	-	-	-	-	-
<i>Non-executive Directors:</i>						
John Huntley Knox	100%	-	-	-	-	-
John Nakhoul	100%	-	-	-	-	-

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Remuneration Committee.

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2019	2018	2019	2018
<i>Executive Directors:</i>				
Kai Zhu	-	-	-	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Kai Zhu
Title:	Executive Chairman
Agreement commenced:	1 September 2018
Term of agreement:	Continuing until terminated in accordance with the service agreement
Details:	Base salary for the year ending 30 June 2020 of \$300,000 plus superannuation, to be reviewed annually by the company in accordance with service agreement. Minimum of 3 months written termination notice is required by either party. Performance bonus of \$100,000 for a given financial year when the net profit before tax of the group exceeded \$1million for that financial year.
Name:	John Huntley Knox
Title:	Non-executive Director
Agreement commenced:	8 September 2018
Term of agreement:	3 years
Details:	Base salary is \$20,000 per annum (including statutory superannuation), paid on a quarterly basis. The Director is also entitled to fees or other amounts as the Board determines of special duties or services outside the scope of the ordinary duties of the director.
Name:	John Nakhoul
Title:	Non-executive Director
Agreement commenced:	22 September 2018
Term of agreement:	3 years
Details:	Base salary is \$20,000 per annum (including statutory superannuation), paid on a quarterly basis. The Director is also entitled to fees or other amounts as the Board determines of special duties or services outside the scope of the ordinary duties of the director.

789 Holdings Limited
Directors' report
30 June 2019

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

No share-based compensation was paid during the year.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2019 are summarised below:

	2019 \$	2018 \$	2017 \$	2016 \$	2015 \$
Sales revenue	7,048,091	4,762,767	5,862,741	5,638,723	6,098,816
EBITDA	203,540	5,724	1,461,725	1,132,601	432,673
EBIT	142,944	(84,6556)	1,447,626	1,116,781	381,531
Profit after income tax	94,438	(92,892)	782,338	634,061	287,939

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2019	2018	2017	2016	2015
Share price at financial year end (\$)	0.25	1	1	1	1
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	0.66	(910.70)	7,617.64	5,936.24	1,993.73

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Kai Zhu	1	-	29,999,999	-	30,000,000
John Huntley Knox	-	-	-	-	-
John Nakhoul	-	-	-	-	-
	1	-	29,999,999	-	30,000,000

This concludes the remuneration report, which has been audited.

Shares under option

At the date of this report, there were no options over unissued ordinary shares in the Company on issue.

Shares issued on the exercise of options

At the date of this report, there were no shares issued on the exercise of options.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Officers of the company who are former partners of UHY Haines Norton Sydney

There are no officers of the company who are former partners of UHY Haines Norton.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

UHY Haines Norton continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Kai ZHU
Director

28 October 2019
Sydney

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

To the Directors of 789 Holdings Limited

As auditor for the audit of 789 Holdings Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of 789 Holdings Limited and the entities it controlled during the year.



Mark Nicholaeff
Partner
Sydney
28 October 2019



UHY Haines Norton
Chartered Accountants

789 Holdings Limited
Consolidated Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Revenue from continuing operations	3	7,048,091	4,762,767
Other income	4	276,090	27,742
Interest revenue		1,869	2,477
Expenses			
Depreciation expense	5	(60,596)	(90,380)
Employee benefit expenses		(792,193)	(587,198)
Commission expense		(2,482,437)	(3,541,158)
Management fee	5	(2,618,354)	-
Rent expense	5	(231,539)	(187,451)
Legal expense		(97,139)	(34,590)
Other expenses		(900,848)	(436,865)
Finance costs	5	(6,673)	(14,630)
Profit (Loss) before income tax expense from continuing operations		136,271	(99,286)
Income tax (expense)/ refund	6	(41,833)	6,394
Profit/ (Loss) after income tax expense from continuing operations		94,438	(92,892)
Profit/ (Loss) after income tax expense for the year		<u>94,438</u>	<u>(92,892)</u>
Total comprehensive income / (loss) for the year		<u>94,438</u>	<u>(92,892)</u>
Profit/ (Loss) for the year is attributable to:			
Non-controlling interest		-	-
Owners of 789 Holdings Limited	26	<u>94,438</u>	<u>(92,892)</u>
		<u>94,438</u>	<u>(92,892)</u>
		Cents	Cents
Earnings per share for profit attributable to the owners of 789 Holdings Limited			
Basic earnings per share	30	0.66	(910.70)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

789 Holdings Limited
Consolidated Statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	7	1,237,031	342,705
Trade and other receivables	8	6,796,239	2,113,537
Other current assets	9	<u>62,319</u>	<u>-</u>
Total current assets		<u>8,095,589</u>	<u>2,456,242</u>
Non-current assets			
Property, plant and equipment	10	132,856	193,452
Intangible assets	11	310,700	-
Deferred tax assets		102,876	136,218
Other	12	<u>124,678</u>	<u>54,126</u>
Total non-current assets		<u>671,110</u>	<u>383,796</u>
Total assets		<u>8,766,699</u>	<u>2,840,038</u>
Liabilities			
Current liabilities			
Trade and other payables	13	3,677,361	469,873
Short-term borrowings	14	28,811	30,444
Current tax payable	15	126,628	353,576
Short term provisions	16	20,486	14,223
Other current liabilities	17	<u>43,872</u>	<u>68,660</u>
Total current liabilities		<u>3,897,158</u>	<u>936,776</u>
Non-current liabilities			
Long-term borrowings	14	87,551	118,707
Long term provisions	16	<u>3,490</u>	<u>236</u>
Total non-current liabilities		<u>91,041</u>	<u>118,943</u>
Total liabilities		<u>3,988,199</u>	<u>1,055,719</u>
Net assets		<u>4,778,500</u>	<u>1,784,319</u>
Equity			
Share capital	18	9,954,535	102
Other reserves	19	(5,190,173)	-
Retained earnings	20	<u>14,138</u>	<u>1,784,217</u>
Total equity		<u>4,778,500</u>	<u>1,784,319</u>

The above statement of financial position should be read in conjunction with the accompanying notes

789 Holdings Limited
Consolidated Statement of changes in equity
For the year ended 30 June 2019

Consolidated	Share capital \$	Other reserves \$	Retained earnings \$	Total equity \$
Balance at 1 July 2017	102	-	1,877,109	1,877,211
Loss after income tax expense for the year	-	-	(92,892)	(92,892)
Total comprehensive income for the year	-	-	1,784,217	1,784,319
Balance at 30 June 2018	<u>102</u>	<u>-</u>	<u>1,784,217</u>	<u>1,784,319</u>
Consolidated	Share capital \$	Other reserves \$	Retained earnings \$	Total equity \$
Balance at 1 July 2018	102	-	1,784,217	1,784,319
Profit after income tax from 1 July 2018 - 3 March 2019	-	-	80,300	80,300
Restatement on group reorganisation	(102)	-	(1,864,517)	(1,864,619)
Re-stated balance as at 3 March 2019 (listing date)	-	-	-	-
Profit after income tax from 4 March - 30 June 2019	-	-	14,138	14,138
Total comprehensive income for the year	-	-	14,138	14,138
<i>Transactions with owners in their capacity as owners:</i>				
Transfer to/ (from) reserves	-	(5,190,173)	-	(5,190,173)
Contributions of equity, net of transaction costs (note 18)	9,954,535	-	-	9,954,535
Balance at 30 June 2019	<u>9,954,535</u>	<u>(5,190,173)</u>	<u>14,138</u>	<u>4,778,500</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

789 Holdings Limited
Consolidated Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Cash flows related to operating activities			
Receipts from customers (inclusive of GST)		3,310,427	5,684,363
Payments to suppliers and employees (inclusive of GST)		(4,216,353)	(5,155,945)
Other revenue		1,870	2,477
Interest and other finance costs paid		(6,673)	(14,630)
Income taxes paid		(235,440)	(309,407)
Net cash (used in)/ provided by operating activities	28	(1,146,169)	206,858
Cash flows related to investing activities			
Payments for purchases of property, plant and equipment		-	(190,072)
Payments for purchases of intangible assets		(310,300)	-
Other		(70,552)	-
Net cash used in investing activities		(381,252)	(190,072)
Cash flows related to financing activities			
Proceeds from issue of shares		2,454,535	-
Proceeds from borrowings		-	149,151
Repayment of borrowings		(32,788)	-
Net cash provided by financing activities		2,421,747	149,151
Net increase in cash and cash equivalents		894,326	165,937
Cash and cash equivalents at the beginning of the financial year		342,705	176,768
Cash and cash equivalents at the end of the financial year	7	<u>1,237,031</u>	<u>342,705</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

789 Holdings Limited
Notes to the financial statements
30 June 2019

General information

The financial statements cover 789 Holdings Limited as a consolidated entity consisting of 789 Holdings Limited and entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is 789 Holdings Limited's functional and presentation currency.

789 Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Suite 405
161 Redfern street
Redfern NSW 2016

Principal place of business

Suite 405
161 Redfern street
Redfern NSW 2016

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 October 2019. The directors have the power to amend and reissue the financial statements.

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the consolidated financial statements and notes of 789 Holding Limited and the entities it controlled during the year ('Consolidated Group' or 'Group').

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for profit entity for the purposes of preparing the financial statements.

Historical cost convention

The financial statements have been prepared under the historical cost convention, unless otherwise stated in the significant accounting policies below.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 26.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of 789 Holdings Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. 789 Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Note 1. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Rendering of Services - real estate sales commissions

Revenue from a contract to provide services (i.e. arranging the sales of the units in the development properties) is recognised by reference to the sale of an individual unit that forms part of the development property. 50% of the total commission earned for the sale of an individual unit is recognised at the exchange of the contract between the vendor and the buyer and the remaining 50% of the total commission earned is recognised at settlement.

Rendering of Services - letting and property management

Letting fees are earned (normally one weeks rent) from the letting of properties and management fees are earned for the usual property management and charged as a percentage of the rent (approximately 5%).

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 1. Significant accounting policies (continued)

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30-60 days.

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from the default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 1. Significant accounting policies (continued)

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Impairment of financial assets

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- Financial assets measured at amortised cost.
- Debt investments measured at FVOCI

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- The other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- The financial assets is more than 90 days past due.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets and bringing the asset to working condition for its intended use.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

Note 1. Significant accounting policies (continued)

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful lives.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Office equipment	5-7 years
Furniture and fittings	5-10 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in other property, plant and equipment. Upon, reviewed, adjustment or impairment shall be made, if required.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Impairment of non-financial assets

Other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 1. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Group.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

Note 1. Significant accounting policies (continued)

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of 789 Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018 and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below.

Note 1. Significant accounting policies (continued)

Change in Accounting Policy

Financial Instruments – Adoption of AASB 9

The Group has adopted AASB 9 *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 July 2018.

As part of the adoption of AASB 9, the Group adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the consolidated statement of profit or loss and other comprehensive income. In the comparative year, this information was presented as part of other expenses.
- AASB 7 *Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, this disclosures have been provided for the current year.

The key changes to the Group's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except the Group has not restated any amounts relating to classification and measurement requirements including impairment which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of the Group have been reclassified into one of the following categories on adoption of AASB 9 based on primarily the business model in which a financial asset is managed and its contractual cash flow characteristics:

- Measured at amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income - debt instruments (FVOCI - debt)
- Fair value through other comprehensive income - equity instruments (FVOCI - equity).

Classification of financial assets and financial liabilities

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at the date of initial application.

	Classification under AASB 139	Classification under AASB 9	Carrying amount under AASB 139	Reclassification	Re-measurement	Carrying amount under AASB 9
Financial assets			\$	\$	\$	\$
CURRENT						
Cash and cash equivalents	Loans and receivables	Amortised cost	342,705	-	-	342,705
Trade and other receivables	Loans and receivables	Amortised cost	2,113,537	-	-	2,113,537
Financial liabilities						
CURRENT						
Trade and other payables	Other financial liabilities	Other financial liabilities	469,873	-	-	469,873
Short-term borrowings	Other financial liabilities	Other financial liabilities	30,444	-	-	30,444
NON-CURRENT						
Long-term borrowings	Other financial liabilities	Other financial liabilities	118,707	-	-	118,707

Note 1. Significant accounting policies (continued)

Notes to the table:

(i) Reclassification from Held to Maturity to Amortised Cost

Term deposits that would previously have been classified as held to maturity are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

Revenue from Contracts with Customers - Adoption of AASB 15

The Group has adopted AASB 15 Revenue from Contracts with Customers for the first time in the current year with a date of initial application of 1 July 2018.

Based on the Group's assessment, there was no material impact on disclosures or reporting balances as a result of the adoption of AASB 15.

The Group's revised accounting policies for the recognition of revenue from contracts with customers are presented in Note 1 & 3.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Group.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Estimation of the percentage of completion of the real estate sales contracts

The Directors of the Group have determined that the percentage of completion method best reflects the efforts that the Group contributed into arranging the sales of the individual units that form part of the contract with the property developers. The Directors of the Group estimate that on average 50% of these efforts on an individual unit are expended before the exchange of the contract between the vendor and the buyer and the remaining 50% is expended before and at the time of settlement (i.e. in line with the contractual entitlements for the sales commissions).

Other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

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Note 3. Revenue

	Consolidated	
	2019	2018
	\$	\$
From continuing operations		
<i>Revenue from contracts with customers</i>	<u>6,359,339</u>	<u>4,330,382</u>
	6,359,339	4,330,382
<i>Other revenue</i>		
Property management agent commission	<u>688,752</u>	<u>432,385</u>
	688,752	432,385
Revenue from continuing operations	<u><u>7,048,091</u></u>	<u><u>4,762,767</u></u>

For the year ended 30 June 2018, revenue was earned on a cost plus agreement with Aust Sunshine Marketing Pty Ltd (related party) based on the commission expenses. From 1 July 2018, a full amount of commission revenue was assigned to the Group from this related party.

Note 4. Other income

	Consolidated	
	2019	2018
	\$	\$
Marketing service income	222,459	27,742
Referral commission	42,501	-
Rental income	<u>11,130</u>	<u>-</u>
Other income	<u><u>276,090</u></u>	<u><u>27,742</u></u>

Note 5. Expenses

	Consolidated	
	2019	2018
	\$	\$
Profit before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Furniture and fittings	9,309	12,019
Office equipment	13,391	18,629
Leased motor vehicle	37,896	59,732
Total depreciation expenses	60,596	90,380
<i>Finance costs</i>		
Interest and finance charges paid/payable	6,673	14,630
Finance costs expenses	6,673	14,630
<i>Rent expense</i>		
Rental expenses relating to operating lease	231,539	187,451
Rent expense	231,539	187,451
Management fee	2,618,354	-

From 1 July 2018, Aust Sunshine Marketing Pty Ltd (related party) assigned most of its commission revenue earned to the Group. From this date until the listing date on 3 March 2019, the loss of income from this assignment was paid by the Group to Aust Sunshine Marketing Pty Ltd as a management fee.

789 Holdings Limited
Notes to the financial statements
30 June 2019

Note 6. Income tax expense

	Consolidated	
	2019	2018
	\$	\$
<i>Income tax expense</i>		
Current tax	(8,754)	200,617
Deferred tax	50,587	(207,011)
Aggregate income tax expense/(refund)	<u>41,833</u>	<u>(6,394)</u>
Income tax expense/(refund) is attributable to:		
Profit from continuing operations	41,833	(6,394)
Aggregate income tax expense/(refund)	<u>41,833</u>	<u>(6,394)</u>
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	50,587	(136,218)
Increase/(decrease) in deferred tax liabilities	-	(70,793)
Deferred tax	<u>50,587</u>	<u>(207,011)</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit/(loss) before income tax expense from continuing operations	136,271	(99,286)
	<u>136,271</u>	<u>(99,286)</u>
Tax at the statutory tax rate of 27.5%	37,474	(27,304)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Car depreciation over luxury limit	4,359	11,435
Sundry items	-	9,475
	<u>41,833</u>	<u>(6,394)</u>
Income tax expense / (refund)	<u>41,833</u>	<u>(6,394)</u>

	Consolidated	
	2019	2018
	\$	\$
<i>Amounts charged/(credited) directly to equity</i>		
Deferred tax assets	(17,245)	-
	<u>(17,245)</u>	<u>-</u>

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2019	2018
	\$	\$
Cash at bank	1,237,031	342,705
	<u>1,237,031</u>	<u>342,705</u>

Note 8. Current assets - trade and other receivables

	Consolidated	
	2019	2018
	\$	\$
Trade debtor	1,353	1,353
Service income receivable from Aust Sunshine Marketing Pty Ltd (related party)	4,982,166	2,049,563
Sales commission receivable from developer	1,467,768	-
Loans receivables from related parties	68,586	61,550
Loans receivable from others	206,674	1,071
	<u>6,726,547</u>	<u>2,113,537</u>
Other receivables	69,692	-
	<u>6,796,239</u>	<u>2,113,537</u>

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Impairment of receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group has recognised a loss allowance of NIL % against all receivables greater than 90 days because historical experience has indicated that these receivables are generally recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Note 9. Current assets - other

	Consolidated	
	2019	2018
	\$	\$
Prepayments	62,319	-
	<u>62,319</u>	<u>-</u>

789 Holdings Limited
Notes to the financial statements
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Note 10. Non-current assets - property, plant and equipment

	Consolidated	
	2019	2018
	\$	\$
Furniture and fittings - at cost	57,546	74,482
Less: Accumulated depreciation	(39,320)	(46,947)
	<u>18,226</u>	<u>27,535</u>
Office equipment - at cost	80,695	109,964
Less: Accumulated depreciation	(57,919)	(73,797)
	<u>22,776</u>	<u>36,167</u>
Leased motor vehicle – at cost	189,482	189,482
Less: Accumulated depreciation	(97,628)	(59,732)
	<u>91,854</u>	<u>129,750</u>
	<u><u>132,856</u></u>	<u><u>193,452</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Furniture and fittings	Office equipment	Leased Motor vehicle	Total
	\$	\$	\$	\$
Balance at 1 July 2017	39,554	54,796	-	94,350
Additions	-	-	189,482	189,482
Disposals	-	-	-	-
Depreciation expense	(12,019)	(18,629)	(59,732)	(90,380)
Balance at 30 June 2018	27,535	36,167	129,750	193,452
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation expense	(9,309)	(13,391)	(37,896)	(60,596)
Balance at 30 June 2019	<u>18,226</u>	<u>22,776</u>	<u>91,854</u>	<u>132,856</u>

Note 11. Non-current assets – intangible asset

	Consolidated	
	2019	2018
	\$	\$
Acquisition of rental roll	310,700	-
	<u>310,700</u>	<u>-</u>

Management believes that acquisition of rental roll is one of the major strategies for the coming year and the company will seek quality rental roll for group's future development.

Note 12. Non-current assets - other

	Consolidated	
	2019	2018
	\$	\$
Bond refundable	124,678	54,126
	<u>124,678</u>	<u>54,126</u>

Note 13. Current liabilities - trade and other payables

	Consolidated	
	2019	2018
	\$	\$
Trade payables	56,570	135,269
Accrued commissions payable	727,531	361,952
Accrued management fee payable	2,618,354	-
GST payable (net)	239,513	(36,353)
PAYG payable	20,808	9,005
Other payables	14,585	-
	<u>3,677,361</u>	<u>469,873</u>

Refer to Note 21 for further information on financial instruments.

Note 14. Borrowings

	Consolidated	
	2019	2018
	\$	\$
<i>Short term</i>		
Lease liability	28,811	30,444
	<u>28,811</u>	<u>30,444</u>
<i>Long term</i>		
Lease liability	87,552	118,707
	<u>87,552</u>	<u>118,707</u>

Note 15. Current liabilities - income tax

	Consolidated	
	2019	2018
	\$	\$
Provision for income tax	126,628	353,576
	<u>126,628</u>	<u>353,576</u>

789 Holdings Limited
Notes to the financial statements
30 June 2019

Note 16. Employee benefits

	Consolidated	
	2019	2018
	\$	\$
<i>Current liability</i>		
Employee benefits	<u>20,486</u>	<u>14,223</u>
<i>Non-current liability</i>		
Employee benefits	<u>3,490</u>	<u>236</u>

Note 17. Current liabilities - other

	Consolidated	
	2019	2018
	\$	\$
Accrued expenses	43,872	65,683
Other payroll liabilities	-	2,977
	<u>43,872</u>	<u>68,660</u>

Note 18. Equity - issued capital

	2019	Consolidated		2018
	Shares	2018	2019	2018
		Shares	\$	\$
Ordinary shares - fully paid	<u>40,000,000</u>	<u>102</u>	<u>9,954,535</u>	<u>102</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	102		102
Issue of shares	4 March 2019	40,000,000	\$0.25	10,000,000
Decrease through returns of capital, buybacks etc.	4 March 2019	(102)	\$1.00	(102)
Share issue transaction costs, net of tax	4 March 2019	-	\$0.00	(45,465)
Balance	30 June 2019	<u>40,000,000</u>		<u>9,954,535</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Share buy-back

On 4 Mar 2019, 789 Holdings Limited, acquired 100% of the ordinary shares of HOME789 Resources Pty Ltd and Great Fortune Investment Pty Ltd.

Note 19. Equity - reserves

	Consolidated	
	2019	2018
	\$	\$
Other reserves		
Group reorganisation reserve	(5,190,173)	-
	<u>(5,190,173)</u>	<u>-</u>

On 3 March 2019 the shareholders of the Group undertook a corporate reorganisation process to facilitate an Initial Public Offering ("IPO"). Consequently, the Group acquired the already operating Home789 Resources Pty Ltd and Great Fortune Investment Pty Ltd (Pre-IPO 789 Group).

This corporate reorganisation does not represent a business combination in accordance with AASB 3 'Business Combinations', and the appropriate accounting treatment for recognising the new group structure is on the basis that the transaction is a form of capital reconstruction and group reorganisation. Accordingly, the financial statements have been presented as a continuation of the Pre-IPO 789 Group. As such, financial statements of the Group include the historical financial information of the Pre-IPO 789 Group for the period before the acquisition. These financial statements include the financial results for the Group from acquisition to 30 June 2019 and the Pre-IPO 789 Group for the period 1 July 2018 to the date of acquisition.

The comparative information presented in the financial statements represents the financial position of the Pre-IPO 789 Group as at 30 June 2018, and the financial performance of the Pre-IPO 789 Group for the year ended 30 June 2018.

The equity structure in the consolidated financial statements, including the number and type of equity instruments issued at the date of acquisition reflects the equity structure of the Company. A corporate reorganisation reserve is recognised to record the difference between the amount paid to acquire the Pre-IPO 789 Group and the share capital of 789 Holdings Limited.

Note 20. Equity - retained profits

	Consolidated	
	2019	2018
	\$	\$
Retained profits at the beginning of the financial year	1,784,319	1,877,211
Profit after income tax from 1 July 2018 – 3 March 2019	80,300	-
Restatement on group reorganisation	(1,864,619)	-
Re-stated balance as at 3 March 2019 (listing date)	-	-
Profit after income tax from 4 March 2019 – 30 June 2019	<u>14,138</u>	<u>(92,892)</u>
Retained profits at the end of the financial year	<u>14,138</u>	<u>1,784,319</u>

In accordance with the description presented in Note 19, retained earnings presented prior to the corporate reorganisation date (3 March 2019) include the historical financial performance of those entities. On the corporate reorganisation date, an adjustment is made to retained earnings to eliminate pre-acquisition earnings.

Note 21. Financial instruments

Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 1 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

Note 21. Financial instruments (continued)

The following table analyses the financial assets and financial liabilities in the statement of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables	Financial liabilities measured at amortised cost	Total
2019	\$	\$	\$
Financial Assets			
Trade receivables	6,796,239	-	6,796,239
Cash and bank balances	1,237,031	-	1,237,031
	<u>8,033,270</u>	<u>-</u>	<u>8,033,270</u>
Financial Liabilities			
Trade payables	-	56,570	56,570
Accrued commissions payables	-	727,531	727,531
Accrued management fee payables	-	2,618,354	2,618,354
Accrued expenses	-	43,872	43,872
GST payable (net)	-	239,513	239,513
PAYG payable	-	20,808	20,808
Other liabilities	-	14,585	14,585
Borrowings	-	116,363	116,363
	<u>-</u>	<u>3,837,596</u>	<u>3,837,596</u>
	Loans and receivables	Financial liabilities measured at amortised cost	Total
2018	\$	\$	\$
Financial Assets			
Trade receivables	2,113,537	-	2,113,537
Cash and bank balances	342,705	-	342,705
	<u>2,456,242</u>	<u>-</u>	<u>2,456,242</u>
Financial Liabilities			
Trade payables	-	135,269	135,269
Accrued commissions payables	-	361,952	361,952
Accrued management fee payables	-	-	-
Accrued expenses	-	65,683	65,683
GST payable (net)	-	(36,353)	(36,353)
PAYG payable	-	9,005	9,005
Other liabilities	-	2,977	2,977
Borrowings	-	149,151	149,151
	<u>-</u>	<u>687,684</u>	<u>687,684</u>

789 Holdings Limited
Notes to the financial statements
30 June 2019

Note 21. Financial instruments (continued)

2018	WA rate	1 year or less	Between 1 and 5 years	Over 5 years	Remaining contractual maturities
Combined at 30 June 2019	%	\$	\$	\$	\$
Trade payables	Nil	56,570	-	-	56,570
Accrued commissions payables	Nil	727,531	-	-	727,531
Accrued management fee payables	Nil	2,618,354	-	-	2,618,354
Accrued expenses	Nil	75,504	-	-	75,504
GST payable (net)	Nil	239,513	-	-	239,513
PAYG payable	Nil	20,808	-	-	20,808
Other liabilities	Nil	14,585	-	-	14,585
Other loans	Nil	(31,632)	-	-	(31,632)
Borrowings	3.74	28,811	87,552	-	116,363
		<u>3,750,044</u>	<u>87,552</u>	<u>-</u>	<u>3,837,596</u>
at 30 June 2018					
Trade payables	Nil	135,269	-	-	135,269
Accrued commissions payables	Nil	361,952	-	-	361,952
Accrued expenses	Nil	65,683	-	-	65,683
GST payable (net)	Nil	(36,353)	-	-	(36,353)
PAYG payable	Nil	9,005	-	-	9,005
Other liabilities	Nil	2,977	-	-	2,977
Borrowings	3.74	30,444	118,707	-	149,151
		<u>568,977</u>	<u>118,707</u>	<u>-</u>	<u>687,684</u>

Note 22. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2019	2018
	\$	\$
Short-term employee benefits	114,231	-
Long-term benefits	8,002	-
	<u>122,233</u>	<u>-</u>

789 Holdings Limited
Notes to the financial statements
30 June 2019

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by UHY Haines Norton, the auditor of the company:

	Consolidated	
	2019	2018
	\$	\$
<i>Audit services – UHY Haines Norton</i>		
Audit or review of the financial statements	109,146	56,500
	<u>109,146</u>	<u>56,500</u>

Note 24. Commitments

	Consolidated	
	2019	2018
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	281,300	254,675
One to five years	505,192	786,492
	<u>786,492</u>	<u>1,041,167</u>
 Representing:		
Lease liability - current	281,300	254,675
Lease liability - non-current	505,192	786,492
	<u>786,492</u>	<u>1,041,167</u>

Note 25. Related party transactions

Parent entity

The parent entity within the Group is 789 Holdings Limited.

Subsidiaries

	Country of incorporation	Class of shares	Ownership interest 2019	Ownership interest 2018
Subsidiaries				
HOME789 Resources Pty Ltd	Australia	Ordinary	100%	-
Great Fortune Investment Pty Ltd	Australia	Ordinary	100%	-

HOME789 Resources Pty Ltd was incorporated on 17 November 2011.

Great Fortune Investment Pty Ltd was incorporated on 22 November 2007.

Key management personnel

Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the directors' report.

Transactions with related parties

The Director, or his personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. The entities transacted with the Group in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arms-length basis. Details of these transactions are shown below:

Aust Sunshine Marketing Pty Ltd

The Group receives the monies from commission income from this entity that is collected on behalf of Home789 Resources Pty Ltd.

	2019 \$	2018 \$
Outstanding balances receivable at the end of the reporting period	4,982,166	2,049,563

From 1 July 2018, Aust Sunshine Marketing Pty Ltd (related party) assigned most of its commission revenue earned to the Group. From this date until the listing date on 3 March 2019, the loss of income from this assignment was paid by the Group to Aust Sunshine Marketing Pty Ltd as a management fee.

	2019 \$	2018 \$
Management fees paid during the reporting period	2,618,354	-

789 Holdings Limited
Notes to the financial statements
30 June 2019

Note 26. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2019	2018
	\$	\$
Loss after income tax	(191,105)	-
Total comprehensive loss	(191,105)	-

Statement of financial position

	Parent	
	2019	2018
	\$	\$
Total current assets	2,775,792	-
Total assets	10,275,792	-
Total current liabilities	512,361	-
Total liabilities	512,361	-
Equity		
Share capital	9,954,536	-
Other reserves	-	-
Retained earnings	(191,105)	-
Total equity	9,763,431	-

There is no information for the comparative period as the entity was not incorporated till 13 August 2018.

Note 27. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

- (i) the Group's operations in future financial years; or
- (ii) the results of those operations in future financial years; or
- (iii) the Group's state of affairs in future financial years.

Note 28. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2019	2018
	\$	\$
Profit/(loss) after income tax expense for the year	94,438	(92,892)
Adjustments for:		
Depreciation and amortisation	60,596	90,380
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(4,237,495)	377,093
Decrease/(increase) in deferred tax assets	33,342	(207,011)
(Increase)/decrease in other assets	(62,319)	24,395
Increase in trade and other payables	3,207,488	66,497
Decrease in provision for income tax	(226,948)	(108,790)
Increase/(decrease) in employee benefits	9,517	(11,474)
(Decrease)/increase in other liabilities	(24,788)	68,660
Net cash (used in) from operating activities	<u>(1,146,169)</u>	<u>206,858</u>

Note 29. Changes in liabilities arising from financing activities

Consolidated	Lease liability	Total
	\$	\$
Balance at 1 July 2017	-	-
Net cash used in financing activities	-	-
Acquisition of plant and equipment by means of finance leases	149,151	149,151
Other changes	-	-
Balance at 30 June 2018	149,151	149,151
Net cash used in financing activities	(32,788)	(32,788)
Other changes	-	-
Balance at 30 June 2019	<u>116,363</u>	<u>116,363</u>

789 Holdings Limited
Notes to the financial statements
30 June 2019

Note 30. Earnings per share

	Consolidated	
	2019	2018
	\$	\$
<i>Earnings per share for profit from continuing operations</i>		
Profit/(loss) after income tax	94,438	(92,892)
Profit/(loss) after income tax attributable to the owners of 789 Holdings Limited	94,438	(92,892)
	Cents	Cents
Basic earnings per share	0.66	(910.70)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	14,219,214	102
Weighted average number of ordinary shares used in calculating diluted earnings per share	14,219,214	102

789 Holdings Limited
Directors' declaration
30 June 2019

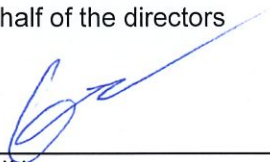
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Kai ZHU
Director

28 October 2019
Sydney

INDEPENDENT AUDITOR'S REPORT

To the Members of 789 Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of 789 Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the *Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION

Why a key audit matter

Revenue was identified as a key audit matter as it was considered to be a key performance indicator to the users of the financial report and because of the extent of judgment involved in the recognition and measurement of revenue.

Overall revenue has increased from \$4.79 million for the year ended 30 June 2018 to \$7.33 million for the year ended 30 June 2019. This increase was attributable to a full amount of commission revenue being assigned to the Group from Aust Sunshine Marketing Pty Ltd (a related party) from 1 July 2018.

AASB 15 'Revenue from Contracts with Customers' establishes a framework for determining whether, how much and when revenue is recognised. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Under AASB 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying a particular performance obligation is transferred to the customer.

Commission revenue from a contract to provide services (i.e. arranging the sales of the units in the development properties) is recognised by reference to the sale of an individual unit that forms part of the development property. Fifty percent of the total commission earned for the sale of an individual unit is recognised on the exchange of the contract between the vendor and the buyer and the remaining

How our audit addressed the risk

Our procedures included, amongst others:

- ▶ We discussed with management regarding the accounting policies for recognising revenue and assessing the appropriateness of these policies in accordance with the requirements of the Australian Accounting Standards. We reviewed these policies to determine whether they have been consistently and appropriately applied.
- ▶ We obtained from management their rationale for recognizing commission revenue as fifty percent on exchange and the balance fifty percent on settlement. We then compared management's rationale with other companies in the real estate industry offering similar services.
- ▶ We agreed revenue per the trial balance to the revenue listing.
- ▶ We performed analytical procedures on revenue recorded during the year by comparing the current year revenue with the prior year. We also compared gross margins with the prior period. We obtained explanations of significant variations from management and corroborated those with our understanding of the business and other evidence obtained during the audit.
- ▶ On a sample basis for commission revenue, we reviewed the agreements with the developers for certain projects to determine if the correct percentage was used to recognize revenue.

fifty percent of the total commission earned is recognised on settlement.

A key audit matter is revenue is not correctly applied on the fifty percent basis and it is not materially correct for year ended 30 June 2019.

- ▶ For a sample of projects, we tested commission revenue recorded during the year to documentation such as agreements with developers, executed contracts with the buyers for checking the contract prices and the date of exchange/settlement of properties and the correct application of the fifty percent basis for revenue recognition and bank receipts.

RECOVERABILITY OF TRADE RECEIVABLES

Why a key audit matter

How our audit addressed the risk

We note that the commission receivables balance has increased significantly because of the following:

- a. outstanding balances that have not been collected from developers
- b. monies received from developers by Aust Sunshine Marketing Pty Ltd (a related party) but not transferred to the Group

The commission receivables balance has increased from \$2.05 million as at 30 June 2018 to \$6.45 million as at 30 June 2019. The \$6.45 million as at 30 June 2019 comprises \$4.98 million receivable from Aust Sunshine Marketing Pty Ltd and \$1.47 million receivable from developers.

A key audit matter is that the receivables are not recoverable and are not disclosed appropriately.

Our procedures included, amongst others:

- ▶ We reviewed and tested the aging of the commission receivables.
- ▶ We assessed the recoverability of commission receivable from developers for each project to the subsequent cash receipts.
- ▶ We discussed with management regarding their views of the recoverability of the amounts outstanding from Aust Sunshine Marketing Pty Ltd.
- ▶ We discussed with management's their views of the credit risk noting the historical patterns for long outstanding trade receivables. We reviewed other evidence including correspondence with developer, and discussed with management their knowledge of future conditions that may impact expected customer receipts.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report


Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 8 of the directors' report for the year ended 30 June 2019.


In our opinion, the Remuneration Report of 789 Holdings Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Mark Nicholaeff
Partner
Sydney
28 October 2019



UHY Haines Norton
Chartered Accountants

789 Holdings Limited
Shareholder information
30 June 2019

The shareholder information set out below was applicable as at 30 June 2019.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 10,000	24
10,001 to 100,000	23
100,001 to 1,000,000	13
1,000,001 and over	3
	<u>63</u>
Holding less than a marketable parcel	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Number held	Ordinary shares % of total shares issued
Unicorn Propfin Limited	30,000,000	75.00
Jingzhu Lai	1,622,000	4.05
Jian Zhang	1,120,000	2.80
GLC Investments Group Pty Ltd (The Deiri Family Trust No 2)	1,000,000	2.50
Zongyang Li	972,800	2.43
Yingxia Liu	800,000	2.00
Yunshou Ye	800,000	2.00
Ruilan Zhou	795,200	1.99
Jiefeng Ye	400,000	1.00
Nan Li	320,000	0.80
Jieren Wang	240,000	0.60
Surewin Australia Pty Ltd	200,000	0.50
Xuming Tian	200,000	0.50
Jianying Wu	200,000	0.50
Jingjing Qian	200,000	0.50
Jianbin Zhuang	120,000	0.30
Shuxin Zong (Zong Family Investment Pty Ltd ATF Zong Family Trust)	100,000	0.25
Caroline Tjahja Ningsih	100,000	0.25
Wei Liu	40,000	0.10
S & K Nassif Pty Ltd (S & K Nassif SMSF)	40,000	0.10
Maroun Nassif	40,000	0.10
Leon Lin	40,000	0.10
Jianping Niu	40,000	0.10
Qian Zhang	40,000	0.10
Jie He	40,000	0.10
Lingmin Wu	40,000	0.10
Yubin Zhang	40,000	0.10
	<u>39,550,000</u>	<u>98.87</u>

789 Holdings Limited
Shareholder information
30 June 2019

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.